

## BUDGET REVISION TO PROTRACTED RELIEF AND RECOVERY OPERATION:

### Relief Food Assistance to Tackle Food Security Challenges Afghanistan PRRO 200063

Cost (United States dollars)				
	Current budget		Increase	Revised budget
Food cost	US\$	490,122,502	US\$	US\$ 490,122,502
External transport	US\$	60,238,614	US\$	US\$ 60,238,614
LTSH	US\$	153,819,646	US\$	US\$ 153,819,646
ODOC	US\$	137,017,632	US\$ (58,108,685)	US\$ 78,908,947
DSC	US\$	318,013,115	US\$ (72,724,393)	US\$ 245,288,722
ISC (7.0 percent)	US\$	81,144,806	US\$ (9,158,315)	US\$ 71,986,490
<b>Total cost to WFP</b>	<b>US\$</b>	<b>1,240,356,316</b>	<b>US\$ (139,991,393)</b>	<b>US\$1,100,364,923</b>

### NATURE OF THE REVISION

- 1 A budget revision (BR) is proposed to decrease direct support costs (DSC) and other direct operational costs (ODOC) components of the budget by US\$ 72,724,393 and US\$ 58,108,685, respectively. This will result in a reduction of ISC by US\$ 9,158,315. The total reduction in associated costs of the operation proposed is US\$ 139,991,393.
- 2 The changes to the associated costs of the operation are necessitated by multiple factors: changes to the operating environment since the initial preparation of the PRRO in late 2009/early 2010; a worsening security situation that is limiting WFP's ability to implement many activities as initially planned; and a significant funding shortfall.
- 3 The proposed BR does not reflect any changes to the design or implementation of food assistance activities to assist vulnerable groups across Afghanistan. This BR is the first stage of adjustment of the PRRO in response to the strategic review (Strategic Review on Afghanistan May 2011).
- 4 Taking in to account the overall deteriorating security situation and the ongoing challenges of raising sufficient funds to implement activities as planned in the PRRO, this BR seeks to prioritize key operational requirements and identify solutions to reduce the DSC and ODOC budget requirement while keeping the same beneficiary level for food requirements. A national vulnerability and risk assessment is currently being conducted, the details of which will not be available until 1st quarter 2012. CO will not be in a position to revise beneficiary figures until the results are available.

### JUSTIFICATION FOR BUDGET REVISION

#### Summary of Existing Project Activities

- 5 The primary objective of this PRRO is to enhance food and nutrition security and resilience to shocks in Afghanistan, by combining relief, recovery and capacity building activities.
- 6 The relief component consists of emergency food assistance, urban social nets and mother-and-child health and nutrition (MCHN). These activities target populations which

have been adversely affected by shocks, Internal Displaced Persons (IDPs) and returnees, mainly in rural areas; vulnerable households headed by disable people or widows; and malnourished children under 5 and lactating and pregnant women.

- 7 The recovery component consists of Food for assets, Food for education, Food for training, and support to the National TB Control Program (NTCP). The activities target communities in disaster-prone areas; school-age children, especially girls; illiterate adults, focusing on women; and people undergoing treatment for tuberculosis.
- 8 The capacity development component consists of technical and financial support for the Government to establish a strategic grain reserve; advocacy for the national fortification of wheat flour and training to private millers for the fortification of flour for commercial purposes; and support to the Government in the establishment of a national early-warning system.

### **Conclusion and Recommendations of the Re-Assessment**

- 9 WFP has undertaken a comprehensive Strategic Review of its operations. The review addresses a number of issues, including prioritization of activities, service delivery, staff security, humanitarian access and improved partnerships. In consultation with the Government of Afghanistan, humanitarian partners and donors, the review was conducted with a view to evaluate the changing context of the country against food security needs and funding considerations. The document will serve as a guiding framework for the refocusing of WFP's relief and recovery activities throughout Afghanistan over the coming 8-12 months.

### **Purpose of Budget Revision**

- 10 The current PRRO was originally established for three years (1 April 2010 to 31 March 2013) with a budget of US\$1,204 million and increased to \$ 1,240 million through two Budget Revisions for increase of Landside Transport, Storage and Handling (LTSH) in January 2011 and commodity prices increases in July 2011.
- 11 The original budget included all costs for the Purchase for Progress (P4P) components and those were reduced from the existing budget as the contribution received for P4P was registered under the P4P trust fund. This BR reduces DSC and ODOC components of P4P budget provision by US\$ 25 million.
- 12 As such, the following revisions are proposed to adjust the associated costs for supporting the implementation of the operation:

#### **Summary of DSC revisions:**

- 13 Staff transportation costs will be reduced by US\$ 76 million. Replacing helicopters with other more cost effective monitoring mechanisms and less exposed means of transportation, accounts for the largest proportion of cost reduction in this budget revision. WFP lacked sufficient resources to implement the planned helicopter supported monitoring and evaluation, due to funding shortfalls which began in 2010. Given the available resources, WFP has revised its monitoring approach to include the leasing of a B200 aircraft (8 passengers) and the purchase of 28 additional armoured vehicles, which will enhance WFP's ability to implement and monitor projects in high risk and difficult access environments. The plane will be managed through WFP's United Nations Humanitarian Air Services (UNHAS) operation and be made available to WFP on an as

needed basis to improve access to areas where travel by road is not possible. A cost recovery mechanism will be used by UNHAS to reduce the overall costs of the aircraft.

- 14 Recurring costs will be reduced by US\$ 13.3 million. The reduction is primarily due to two factors. The first is the elimination of running costs for helicopters (US\$ 10.9 million) which will be replaced by other means of transportation. The second is an elimination of costs related to establishing and operating five (5) new Area Offices (US\$ 6 million). The original PRRO envisaged the opening of seven (7) new sub offices. However, due to the prevailing security situation and lack of sufficient funding, only two (2) new Area Offices will be established: the office in Bamyan, which has already been opened and the office in Chagcharan, for which planning is currently underway. Planning for sub-offices in Ishakasham, Kunduz, Qale Naw, Zaranj and Lashkarga have been postponed. There are additional reductions, including: Vehicle running cost by US\$ 860,200; Office supplies and other consumable goods by US\$ 771,500; communication by US\$ 151,700; and equipment repair and maintenance by US\$ 105,000. Reductions will be partially offset by budget increases for renting facilities (US\$ 1.8 million) and their associated utilities (US\$ 2.8 million). This is necessitated by significant increases in rental and utility costs. In addition, the cost for UN Services will increase by US\$927,000.
- 15 Staff related costs will be reduced by US\$ 6.8 million. The reduction is due to both the cancellation of posts originally planned in the PRRO and the use of international consultants or national officers to fill vacant international posts. Posts to be cancelled include those related to: helicopters management, the five (5) sub offices that will not be opened; and P4P activities, which are covered under a separate HQ Trust Fund budget. Reductions will partially be offset by use of 2011 Standard Position Cost Rates for International staffing costs, which were originally calculated using the 2009 rates. There will be a similar increase in rates for national staff (FT) and service contract (SC and SSA) positions as these have been increased locally by United Nations Development Program (UNDP). WFP Afghanistan has utilized the same methodology employed in Headquarters for calculating national staff positions to reflect a more comprehensive costing approach. WFP is also considering an increase in posts for national officers to strengthen the capacity and institutional memory of the Country Office in key functional areas. A staffing review exercise is planned for the third quarter of 2011. The impact of this staffing review will be reflected in a budget revision planned for the last quarter of 2011/ first quarter of 2012.
- 16 Construction and security upgrade costs will be increased by US\$ 18.6.million. The increase is due to the acquisition of additional office and guest house space and to enhance all WFP premises with security upgrades to meet Minimum Operating Security Standard (MOSS) requirements. The full costs of construction are included in this BR. However, cost sharing with other United Nation agencies is planned for some locations, which will reduce running costs to WFP through a cost recovery mechanism. The construction of a new guest house in Kabul was also envisaged during the original planning of the PRRO, but due to issues with the lease agreement the project was not undertaken resulting in a reduction in 2010. WFP is currently in discussions with the government to consolidate Kabul offices, guest houses and warehouses into a single location. The anticipated costs of this consolidation have been reflected in the budget, and it is expected that a consolidation of facilities will have a longer term savings of costs, particularly with the recurrent security expenditures. In addition, the ICT equipment budget has been increased by US\$ 3.9 million in line with MOSS requirements and higher than expected SAT and mobile costs.

- 17 Cash & Voucher banking fee and cost of printing vouchers will be transferred to DSC from ODOC. These costs were originally budgeted under ODOC instead of DSC. This BR will adjust the budget line item accordingly. Banking fee for US\$ 553,000 comprises costs of anti-fraud and control measures such as bar code readers and associated technology requirements is budgeted under DSC office set up and repairs budget line item. The cost of printing the vouchers has been budgeted in this budget revision at US\$ 381,000.

**Summary of ODOC revisions:**

- 18 Equipment and capital costs will be reduced by US\$ 59.5 million. The primary adjustments include a reduction in support for the development of Afghanistan's Strategic Grain Reserve, adjustments to the types of assets created under Food for Assets (FFA) activities and reductions in planned support to enhance community level storage capacity. Original lack of funding did not allow to start the process and with the time available we have now this is how much we would be able to achieve with the existing technical capacity in the country for the remaining period of the project. This capacity is not able to reach some areas of the country and this is the second reason why we can not do as much as we initially predicted.
- 19 Cash & Voucher cost will be reduced by some US\$ 960,000. The Banking fee has been moved to the DSC cost category of Cash and voucher budget line item from ODOC, aligning the expenditure with the correct cost category.
- 20 Quantity and Quality (Q&Q) superintendence and insurance costs will be reduced by US\$ 184,079, from US\$ 11 million to US\$ 10.9 million, due to the assignment of P4P activity costs to HQ trust fund budget, mentioned above.
- 21 Staff and related costs will be increased by US\$ 1.4 million. The increases are due to the use of short term technical consultants (international and national) to assist WFP in evaluations, training and capacity building of governmental counterparts. WFP plans to increase its support to the government at the national and provincial levels to ensure higher quality in the implementation of activities in partnership with relevant line ministries
- 22 Recurring expenses including cooperating partner implementation costs will be increased by US\$ 1.1 million. This reflects an increase in costs of CP staff, staff related costs, rental of facilities, and other associated costs of partners. This is due in part to the high costs of security upgrades for working in high risk environments.
- 23 The PRRO will be revised as the situation in Afghanistan evolves and according to the needs of the humanitarian community. The operation will also continue to ensure that programmes and activities to support beneficiaries affected by conflict, food insecurity and natural disasters are in line with the priorities of the government and closely coordinated with UN and humanitarian partners in the country.
- 24 This budget revision for decreases of US\$ 72,724,393 in DSC and US\$ 58,108,685 in ODOC are recommended for approval by the Executive Director.
- 25 Beneficiary targeting will continue to follow the original approved project plan:

TABLE 1: BENEFICIARIES BY TYPE OF INTERVENTION AND YEAR

Type of Intervention	Year One (Apr-Dec 09)		Year Two (Jan-Dec 10)		Year Three (Jan-Dec 11)		Year Four (Jan-Mar 12)	
	Benef.	MT	Benef.	MT	Benef.	MT	Benef.	MT
Emergency Relief	1,307,200	35,700	1,742,900	47,600	1,742,900	47,600	435,700	11,900
Urban Safety Net	450,000	38,100	600,000	50,800	600,000	50,800	150,000	12,700
MCHN	98,900	7,500	168,300	12,800	195,700	14,800	33,000	2,500
<i>Sub-Total Relief</i>	<i>1,856,100</i>	<i>81,300</i>	<i>2,511,200</i>	<i>111,200</i>	<i>2,538,600</i>	<i>113,200</i>	<i>618,700</i>	<i>27,100</i>
FFA	788,800	23,400	1,051,700	30,900	1,051,700	30,900	262,900	7,800
FFE/FFT	2,477,741	77,202	3,518,312	108,423	3,753,335	114,422	825,914	25,734
TB	166,400	15,200	237,400	21,700	254,000	23,200	55,500	5,100
<i>Sub-Total Recovery</i>	<i>3,432,900</i>	<i>115,802</i>	<i>4,807,412</i>	<i>161,103</i>	<i>5,059,005</i>	<i>168,600</i>	<i>1,144,300</i>	<i>38,600</i>
<b>GRAND TOTAL</b>	<b>5,289,000</b>	<b>197,100</b>	<b>7,318,600</b>	<b>272,300</b>	<b>7,597,600</b>	<b>281,800</b>	<b>1,763,000</b>	<b>65,700</b>

26 Program rations continue to follow the original approved plan.

**TABLE 2: FOOD BASKET AND RATION BY ACTIVITY (KG/MONTH)**

Type of intervention	Wheat	Fortified Wheat Flour	Oil	Pulses	Iodized salt	HEB	RUSF	MNP	FD / WD per annum	Kcal/ person/day
Emergency Relief (full) <sup>1</sup>		81	5.4	13.5	0.9				90	2,092
Emergency Relief (reduced ration) <sup>1</sup>		50	3.7	6	0.5				90	1,270
Returnees, IDPs <sup>1,3</sup>	50		3.7	6	0.5				90	1,270
Urban Safety Nets <sup>1,3</sup>	50								360	920
Winter/Lean Season Contingency <sup>1,4</sup>	50								60	920
MCHN (PW/LM) <sup>2</sup>		10	0.62	1.65				0.03	.90	1,520
MCHN (CU5) <sup>2</sup>							2.76		90	500
FFW/FFA <sup>1,3</sup>	50		3.7	6	0.5				66	1,800
FFE - School Feeding (HEB)						2.0			182	450
FFE - School Feeding (wet feeding)		3.1	0.26	1	0.13			0.01	182	640
FFE - Oil Incentive for girls (1-9) <sup>2</sup>			3.7						182	1,090
FFE - Oil Incentive for girls (10-12) <sup>2</sup>			7.4						182	2,180
FFT - Teacher Training			7.4						198	2,180
FFT - Vocational / Literacy Training <sup>1</sup>	25		1.85	3	0.25				198	605
TB Programme <sup>1</sup>		50	3.7	8	0.5				240	1,300

<sup>1</sup> Family ration with an average household size of 6

<sup>2</sup> Individual ration

<sup>3</sup> US\$ 35, if cash voucher in lieu of food is given

<sup>4</sup> US\$ 30, if cash voucher in lieu of food is given

Approved by:

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Josette Sheeran

Executive Director, WFP

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Date

## ANNEX I - A

### WFP PROJECT COST BREAKDOWN

	Quantity (mt)	Average cost (US\$) per mt	Value (US \$)
<b>COSTS</b>			
<b>A. Direct operational costs</b>			
Cereals <sup>1</sup>			
Pulses			
Oil			
Mixed and Blended Food			
Others			
Cash / Cash Vouchers			
Food Vouchers			
<b>Total commodities &amp; Cash and Vouchers</b>			
<b>External transport</b>			
<b>LTSH</b>			
<b>Other direct operational costs</b>			<b>(58,108,685)</b>
<b>Total direct operational costs</b>			<b>(58,108,685)</b>
<b>B. Direct support costs</b> (see table below for details)			<b>(72,724,393)</b>
<b>C. Indirect support costs</b> (7 percent of total direct costs)			<b>(9,158,315)</b>
<b>TOTAL WFP COSTS</b>			<b>(139,991,393)</b>

<sup>1</sup> This is a notional food basket used for budgeting and approval purposes. The precise mix and actual quantities of commodities to be supplied to the project, as in all WFP-assisted projects, may vary over time depending on the availability of commodities to WFP and domestically within the recipient country.

## ANNEX I - B

DIRECT SUPPORT REQUIREMENTS (US\$)	
<b>Staff and staff related costs</b>	
International professional staff	(5,123,506)
International general service staff	(151,470)
National professional officers	3,837,574
National general service staff	(321,669)
Temporary assistance	435,175
Overtime	111,562
Hazard pay and hardship allowance	(9,416,975)
International consultants	2,808,675
Local consultants	(29,138)
UNV	287,590
Commercial consultancy services	
Staff duty travel	825,965
<b>Subtotal</b>	<b>(6,736,217)</b>
<b>Recurring expenses</b>	
Rental of facility	1,803,992
Utilities (general)	2,793,510
Office supplies and other consumables	(390,146)
Communication and IT services	(151,650)
Equipment repair and maintenance	(104,704)
Vehicle maintenance and running cost	(11,746,560)
Office set-up and repairs	(5,540,335)
UN Organization Services	927,000
<b>Subtotal</b>	<b>(12,408,893)</b>
<b>Equipment and other fixed costs</b>	
Vehicle leasing	(76,020,087)
TC/IT equipment	3,876,998
Local security costs	18,563,806
<b>Subtotal</b>	<b>(53,579,283)</b>
<b>TOTAL DIRECT SUPPORT COSTS</b>	<b>(72,724,393)</b>